

Message Text

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TO AMEMBASSY JAKARTA
INFO AMEMBASSY VIENNA

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SUBJECT: ARRANGEMENTS FOR SUPPLY OF RESEARCH REACTOR FUEL
TO INDONESIA

REF: JAKARTA 5498

1. SUMMARY. IN RESPONSE REFTTEL PARA. 3, FACTS CONCERNING
ARRANGEMENTS UNDER WHICH U.S. HAS PROVIDED SPECIAL NUCLEAR
MATERIAL (SNM) FOR RESEARCH REACTOR FUEL TO INDONESIA
THROUGH IAEA ARE OUTLINED (PARAS. 2 THROUGH 8) FOR EMBASSY
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INFORMATION AND DISCUSSION WITH INDONESIANS AS APPROPRIATE.
THESE FACTS WERE REVIEWED BY STAFF OF U.S. ENERGY RESEARCH
AND DEVELOPMENT ADMINISTRATION (ERDA) WITH INDONESIAN
EMBASSY OFFICIAL DURING MEETING HE REQUESTED TO DISCUSS
POSSIBILITY OF EXTENDING SECOND U.S.-IAEA-INDONESIA
SUPPLY AGREEMENT AND OF, AGAIN, RECEIVING SNM AS GIFT
(PARAS. 9-12). END SUMMARY.

2. U.S. HAS PROVIDED SNM THROUGH IAEA FOR FUEL FOR
INDONESIAN REACTOR UNDER TWO U.S.-IAEA-INDONESIAN SUPPLY
AGREEMENTS CONCLUDED PURSUANT TO U.S.-IAEA AGREEMENT FOR
COOPERATION. THE FIRST ENTERED INTO FORCE 19 DECEMBER 1969.
IT COVERED SUPPLY OF ABOUT 18,000 GRAMS 20 PERCENT-ENRICHED

URANIUM FOR THE REACTOR (WHICH WAS MADE AN IAEA PROJECT
UNDER AN IAEA-INDONESIAN QUOTE PROJECT AGREEMENT UNQUOTE
OF SAME DATE). THE SECOND ENTERED INTO FORCE 14 SEPT-
EMBER 1972. THIS COVERED SUPPLY OF 20 PERCENT-ENRICHED
URANIUM TO MEET ALL REACTOR FUEL REQUIREMENTS UP TO 12,000
GRAMS, DURING FIVE-YEAR PERIOD FROM ENTRY INTO FORCE.
(COPIES OF BOTH AGREEMENTS BEING AIR POUCHED).

3. BOTH AGREEMENTS PROVIDE FOR U.S. TO DELIVER SNM TO
MANUFACTURER SELECTED BY INDONESIA FOR FABRICATION OF
FUEL ELEMENTS. BOTH AGREEMENTS ALSO PROVIDE FOR IAEA
TO PAY U.S. AND FOR INDONESIA TO PAY IAEA AFTER EACH
DELIVERY OF SNM TO MANUFACTURER. SECOND SUPPLY AGREE-
MENT WAS LATER AMENDED BY LETTER AGREEMENT, FORMALLY
COMPLETED APRIL 1975 BUT REGARDED AS IN EFFECT BY END 1974,
TO ENABLE INDONESIA TO PAY MANUFACTURER FOR SNM, PRIMARILY
IN ORDER TO EXPEDITE PAYMENT FOR ONE PARTICULAR DELIVERY
BEFORE A SCHEDULED INCREASE IN SNM PRICE CHARGED BY
U.S.

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4. U.S. HAS, TO DATE, ANNUALLY OFFERED GIFT OF UP TO
DOLS 50,000 WORTH OF SNM TO IAEA FOR USE IN MEDICAL THERAPY
OR IAEA RESEARCH PROJECTS. PROCEDURE IN THIS CONNECTION
HAS BEEN FOR IAEA TO ADVISE U.S. EACH YEAR OF ELIGIBLE
AGENCY PROJECTS, AND FOR U.S. TO DESIGNATE WHICH OF
SUCH PROJECTS ARE TO BENEFIT FROM U.S. GIFT THAT YEAR.
GIFTS ALLOCATED TO PROJECTS OFTEN REPRESENT ONLY PART
OF QUANTITY REQUESTED, AND RECIPIENTS PAY FOR THE REST.

5. SINCE THESE SNM GIFTS ARE IN FULFILLMENT OF U.S.
OFFERS MADE TO IAEA, RATHER THAN DIRECTLY TO INDIVIDUAL
MEMBER STATES, THEY ARE PROVIDED UNDER U.S.-IAEA AGREEMENT
FOR COOPERATION
EVEN IF RECIPIENT COUNTRY HAS AN AGREEMENT FOR COOPERATION
IN FORCE WITH U.S. WHEN A COUNTRY HAS REQUESTED GIFT
MATERIAL, THEREFORE, U.S. HAS GENERALLY ENTERED INTO
TRILATERAL SUPPLY AGREEMENT SUCH AS THE TWO AGREEMENTS
WITH IAEA AND INDONESIA. BOTH THESE AGREEMENTS STATE
THAT THE PAYMENTS REQUIRED THEREUNDER (SEE PARA. 3)
SHALL BE REDUCED BY THE VALUE OF ANY U.S. GIFT MATERIAL
ALLOCATED FOR THIS PROJECT.

6. IN BOTH 1969 AND 1970 U.S. DESIGNATED INDONESIAN PROJECT AMONG RECIPIENTS OF GIFT MATERIAL VALUED AT DOLS 23,662 AND DOLS 14,162, RESPECTIVELY. QUANTITIES ALLOCATED UNDER THE TWO GIFTS TOTALED FULL AMOUNT OF SNM COVERED BY FIRST SUPPLY AGREEMENT. IN 1973

ALSO, BUT NOT SINCE THEN, U.S. DESIGNATED INDONESIAN PROJECT AMONG GIFT RECIPIENTS, THIS TIME TO RECEIVE 2,498 GRAMS, I.E., ABOUT ONE-FIFTH OF MAXIMUM 12,000 GRAMS COVERED BY SECOND SUPPLY AGREEMENT.

7. ACCORDING TO ERDA RECORDS, 1,664 GRAMS WERE EXPORTED UNDER SECOND SUPPLY AGREEMENT IN 1973. IN 1975, 3,556 LIMITED OFFICIAL USE

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GRAMS FOR REACTOR PROJECT WERE EXPORTED; BUT FOR REASONS NOT ENTIRELY CLEAR, EXPORT OF 3,016 GRAMS WAS AUTHORIZED UNDER U.S.-INDONESIA AGREEMENT FOR COOPERATION- WHILE 550 GRAMS WAS FOR IAEA ACCOUNT. IF THE 3016 GRAMS ARE NOT SUBJECT TO U.S.-IAEA AGREEMENT, MATERIAL CANNOT BE REGARDED AS GIFT TO IAEA (SEE PARA. 5) OR AS SUBJECT TO SECOND TRILATERAL SUPPLY AGREEMENT. IN MARCH 1977,

U.S. NUCLEAR REGULATORY COMMISSION ISSUED LICENSE FOR EXPORT OF ADDITIONAL 2,538 GRAMS TO INDONESIA, ALSO UNDER U.S.-INDONESIA AGREEMENT FOR COOPERATION. THUS, IT APPEARS THAT ONLY 2,214 GRAMS (I.E., 1664 AND 550) OF 1973 GIFT AWARD (AND OF TOTAL 12,000 GRAMS - MAXIMUM - COVERED BY SECOND SUPPLY AGREEMENT) HAVE BEEN PROVIDED OR LICENSED FOR EXPORT PURSUANT TO THAT AGREEMENT.

8. MISSION VIENNA: PLEASE ASCERTAIN AND ADVISE QUANTITY OF SNM IAEA RECORDS SHOW AS PROVIDED UNDER SECOND SUPPLY AGREEMENT, AND DATES SUPPLIED.

9. ON MAY 4, AT HIS REQUEST, INDONESIAN EMBASSY SECOND SECRETARY SUKANDAR VISITED ERDA TO DISCUSS POSSIBILITY OF EXTENDING SECOND SUPPLY AGREEMENT TO PERMIT SUPPLY OF REMAINING QUANTITY OF SNM COVERED. HE ALSO ASKED ABOUT POSSIBILITY OF RECEIVING SUCH MATERIAL AS GIFT.

10. RE SUPPLY AGREEMENT EXTENSION, SUKANDAR WAS ADVISED THAT APPROPRIATE COURSE WOULD BE FOR INDONESIA TO SUBMIT REQUEST TO IAEA, WHICH IN TURN WOULD APPROACH U.S. MISSION. SUKANDAR WAS ADVISED THAT ERDA DID NOT SEE ANY DIFFICULTY IN PRINCIPLE IN EXTENSION OF SUPPLY AGREEMENT THROUGH TERM OF U.S.-INDONESIA BILATERAL AGREEMENT FOR COOPERATION, WHICH IS SCHEDULED TO EXPIRE SEPTEMBER 1980. LIMITED OFFICIAL USE

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IT WAS SUGGESTED THAT INDONESIA MIGHT PROPOSE TO IAEA THAT ANY SUCH EXTENSION INCLUDE PROVISION THAT IF AGREEMENT FOR COOPERATION WERE EXTENDED, SUPPLY AGREEMENT DURATION WOULD BE CONSIDERED EXTENDED ACCORDINLY. SINCE ALL REMAINING MATERIAL MAY NOT BE REQUIRED BEFORE SEPTEMBER 1980, IT WAS ALSO SUGGESTED THAT INDONESIA GIVE THROUGHT TO REQUESTING EXTENSION OF U.S.-INDONESIA AGREEMENT WELL IN ADVANCE OF THAT DATE.

11. SUKANDAR APPEARED TO BELIEVE THAT EFFECT OF 1975 LETTER AMENDMENT TO SUPPLY AGREEMENT WAS TO OBLIGE INDONESIA TO PAY FOR SNM RATHER THAN RECEIVE IT AS GIFT. ERDA EXPLAINED REASON FOR AMENDMENT, DESCRIBED PROCEDURES FOR ALLOCATING ANNUAL U.S. GIFT TO IAEA, AND REVIEWED SUPPLY AGREEMENT PAYMENT PROVISIONS AND FACTS CONCERNING PAST U.S. GIFTS OF SNM TO INDONESIAN REACTOR PROJECT. NOTE: FACT THAT PORTION 1975 EXPORT CITED WAS UNDER U.S.-INDONESIAN AGREEMENT FOR COOPERATION CAME TO LIGHT AFTER SUKANDAR VISIT. HE HAS BEEN INFORMED.

12. RE POSSIBILITY OF RECEIVING FURTHER SNM AS U.S. GIFT, SUKANDAR WAS INFORMED THAT IN 1974 U.S. ADOPTED POLICY OF GIVING PREFERENCE TO PROJECTS IN NPT NATIONS IN ALLOCATING GIFT MATERIAL, AND THAT SINCE THEN ALL GIFT MATERIAL HAS BEEN ALLOCATED TO SUCH PROJECTS. IT WAS NOTED THAT TOTAL MATERIAL REQUIREMENTS OF PROJECTS IN NPT NATIONS HAVE EXCEEDED TOTAL GIFT QUANTITY AVAILABLE AND THAT GIFT RECIPIENTS HAVE HAD TO PAY FOR PART OF THEIR REQUIREMENTS.

13. FYI AND ADVICE TO INDONESIANS IF QUESTION RAISED. TECHNICALLY, SUPPLY OF SNM UNDER U.S.-IAEA AGREEMENT FOR COOPERATION DOES NOT REQUIRE EXISTENCE OF BILATERAL U.S. AGREEMENT FOR COOPERATION WITH RECIPIENT NATION. HOWEVER, ANY SUPPLIES OF SNM FOR REACTOR FUEL AUTHORIZED THROUGH IAEA IN THE FUTURE MAY BE REQUIRED TO BE SUBJECT LIMITED OFFICIAL USE

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TO CERTAIN U.S. CONTROLS WHICH ARE NOT CONTAINED IN U.S.-IAEA AGREEMENT BUT WHICH ARE TYPICAL OF EXISTING AGREEMENTS WITH INDIVIDUAL NATIONS (E.G., GUARANTEE BY RECIPIENT AGAINST RETRANSFER WITHOUT U.S. CONSENT; REQUIREMENT FOR U.S. APPROVAL OF ANY REPROCESSING OR ALTERATION OF SUPPLIED MATERIAL; BILATERAL SAFEGUARDS PROVISIONS, SUSPENDED WHILE IAEA APPLIES SAFEGUARDS),

OR WHICH MAY BE INCORPORATED IN FUTURE SUCH AGREEMENTS
(INCLUDING, AMONG OTHER ADDITIONAL PROVISIONS, PHYSICAL
SECURITY REQUIREMENTS AND EXPLICIT GUARANTEE AGAINST USE
OF SUPPLIED ITEMS OR PRODUCED MATERIAL FOR ANY NUCLEAR
EXPLOSIVE DEVICE) IN ACCORDANCE WITH STRENGTHENED U.S.

NON-PROLIFERATION POLICIES. WHILE MATERIAL SUPPLIED
THROUGH IAEA COULD BE MADE SUBJECT TO SUCH CONTROLS
THROUGH VARIOUS ARRANGEMENTS, PREFERRED MECHANISM MAY
BE FOR RECIPIENT TO AGREE THAT PERTINENT PROVISIONS
OF BILATERAL AGREEMENT WILL APPLY TO MATERIALS TRANSFERRED
THROUGH IAEA. ALTHOUGH THIS MIGHT NOT BE REQUIRED WITH
RESPECT TO REMAINING SNM COVERED BY 1972 SUPPLY AGREEMENT

WITH INDONESIA, ESPECIALLY SINCE SNM INVOLVED IS NOT HIGHLY
ENRICHED, U.S. POLICY IS STILL EVOLVING. THIS IS WHY
POSSIBLE EXTENSION OF SUPPLY AGREEMENT WAS ASSOCIATED
WITH DURATION OF U.S.-INDONESIAN AGREEMENT IN DISCUSSION
WITH SUKANDAR. NOTE: U.S. WILL UNDOUBTEDLY WISH TO
AMEND BILATERAL AGREEMENT IN DUE COURSE TO REFLECT NEW
U.S. POLICIES. EXTENSION OF DURATION COULD BE COVERED
IN SAME AMENDMENT. END FYI; VANCE
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Message Attributes

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Disposition Case Number: n/a
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Disposition Date: 22 May 2009
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